

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 1127
Economic Matters

(Delegate Schulz, *et al.*)

**Alcoholic Beverages - Micro-Breweries and Pub-Breweries - Class 7 Limited Beer
Wholesaler's License**

This bill authorizes the holder of a pub-brewery or micro-brewery manufacturer's license to apply for and obtain additional pub-brewery or micro-brewery manufacturer's licenses under specified conditions. The bill authorizes the holder of a micro-brewery license to provide samples of beer (up to 2 fluid ounces per sample) at the licensed location at no charge or for a fee. The bill repeals a provision of law that limits a micro-brewery licensee from selling only 4,000 barrels of beer per year on the licensed premises.

The bill also establishes a Class 7 limited beer wholesaler's license with an annual license fee of \$50. A Class 7 limited beer wholesaler's license may only be issued to a beer manufacturer that produces not more than 4,500 barrels of its own beer per year and holds a Class 7 micro-brewery license.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: Potential minimal increase in State licensing revenue to the extent pub-brewery or micro-brewery license holders seek to obtain additional licenses and that Class 7 limited beer wholesaler's licenses are issued. Pub-brewery and micro-brewery manufacturer's licenses are \$500. The Class 7 limited beer wholesaler's licenses are \$50 for each location. State expenditures are not affected.

Local Effect: None.

Small Business Effect: Potential meaningful. Micro-breweries and pub-breweries may benefit from additional avenues by which to produce and sell more beer.

Analysis

Current Law: Class 7 micro-brewery (on- and off-sale) licenses are issued by the Comptroller's Office for use in 19 jurisdictions – Allegany, Anne Arundel, Baltimore, Calvert, Carroll, Charles, Dorchester, Frederick, Garrett, Harford, Howard, Montgomery, Prince George's, Talbot, Washington, Wicomico, and Worcester counties; Baltimore City; and the City of Annapolis. In general, the license is issued only to a holder of a Class B beer, wine, and liquor (on-sale) license that is issued for use on the premises of a restaurant with exceptions for the Town of Berlin in Worcester County and Montgomery, Prince George's, and Washington counties.

License holders may sell up to 4,000 barrels of beer to customers for consumption on the premises and may collectively brew, bottle, or contract for up to 22,500 barrels of malt beverages each calendar year.

Except for a Class 6 pub-brewery license, the holder of a distillery, rectifying, winery, limited winery, or brewery license may apply for and obtain, under a different name, one or more additional distillery, rectifying, winery, limited winery, or brewery licenses for the same or another premises. The licenses may be issued to different persons or under trade names used by persons occupying a part of or all of the same premises. The holder of a rectifying, winery, or brewery license may apply for and obtain a wholesaler's license of any class for the same premises or elsewhere. The holder of a limited winery license may apply for and obtain a Class 6 limited wine wholesaler's license for the same premises or elsewhere.

Background: There are currently 15 Class 7 micro-brewery licenses issued in the State. There are 2,767 Class B beer, wine, and liquor license holders and 699 Class D beer, wine, and liquor license holders in the State.

There is only one pub-brewery license issued in the State and that is for a location within the City of Annapolis.

According to the Comptroller's *Alcohol & Tobacco Tax Report* for fiscal 2011, Maryland brewers sold 3.5 million gallons of beer in fiscal 2011. Of this amount, 29.7% was sold to wholesalers, 7.4% was sold at the brewery, and 64.1% was sold out of state.

State Fiscal Effect: General fund revenues may increase by a minimal amount beginning in fiscal 2013 to the extent pub-brewery or micro-brewery license holders obtain additional pub-brewery or micro-brewery manufacturer's licenses and new Class 7 limited beer wholesaler's licenses are issued. The amount of any increase will depend on the number of licensees obtaining additional licenses. The number of times this may occur cannot be reliably estimated. **Exhibit 1** shows the number of manufacturer's

licenses and corresponding fee revenue for fiscal 2011. Pub-brewery and micro-brewery manufacturer's licenses are \$500 each. The fee for the new Class 7 limited beer wholesaler's license is \$50 and can only be issued to the holder of a Class 7 micro-brewery license, of which there are 15 in the State.

Exhibit 1
Manufacturer's Licenses – Alcoholic Beverages
Fiscal 2011

License Type	Fee	Licenses	Fee Revenue*
Distillery	\$2,000	1	\$2,020
Rectifying	600	38	24,520
Winery	750	0	0
Limited Winery	200	51	10,790
Brewery	1,500	9	13,125
Pub-brewery	500	1	500
Micro-brewery	500	14	6,500
Total		114	\$57,455

*License year is from May 1 to April 30; due to prorating of fees, actual revenue collected may not coincide with the number of licenses issued.

Source: Comptroller of Maryland

Additional Information

Prior Introductions: None.

Cross File: SB 957 (Senator Brinkley) - Education, Health, and Environmental Affairs.

Information Source(s): Comptroller's Office, Department of Legislative Services

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mc/hlb

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